

taxes levied on farm personal property, 1960-72

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ABSTRACT

U.S. totals for farm tangible personal property taxes increased from \$286.1 million in 1960 to \$424.9 million in 1972. This was an increase of 48.5 percent, or about 4.0 percent annually. Arkansas had the highest 12-year rate of increase at 153.2 percent, followed by California at 150.0 percent.

As a proportion of the total farm property tax burden (real plus personal property), personal property taxes have exhibited some pronounced cyclical fluctuations since 1924. In 1972, they accounted for 15.1 percent of the total farm property tax bill.

More States are exempting farm personal property from taxation. By 1972, 11 States had totally exempted it. Many of the other 39 States exempted one or more of the four commonly taxed classes of farm personalty: 4 exempted livestock, 4 exempted farm machinery, 18 exempted motor vehicles, and 24 exempted household goods. Personal property taxes during 1967-72 increased on livestock and farm machinery, and decreased on motor vehicles and household goods.

Since 1950, real and personal property taxes have increased significantly as a percentage of gross farm income and of net farm income.

Key words: Farm personal property taxes, Agricultural taxation, Property taxes, Taxation.

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HIGHLIGHTS

National totals for farm tangible personal property taxes increased from \$286.1 million in 1960 to \$424.9 million in 1972. This was an increase of 48.5 percent or about 4.0 percent annually. This rate is less than the rate of increase realized during the fifties of 6.2 percent per year. It is also less than the rate of increase of farm *real* property taxes during 1960-72 of 7.7 percent. The reason for the relatively lower rate of increase is the increased number of States exempting farm personal property, entirely or by certain classes, during this time.

The rate of increase varied among the States. Arkansas had the highest percentage increase at 153.2 percent, followed by California at 150.0 percent. Other States with increases of over 100 percent were Maine, Montana, Nevada, South Dakota, Virginia, and Wisconsin.

Personal property taxes have exhibited some strong cyclical patterns since 1924 as a proportion of total farm property taxes. The percentage has varied from a low of 9.0 percent in 1933 to a high of 22.0 percent in 1952 for a range of 13 percentage points. Since 1966, this figure has been declining. By 1972, taxes on farm personalty amounted to 15.1 percent of the total.

More States are exempting farm personal property from taxation. This accounts, at least in part, for its relatively lower rate of increase for the Nation as a whole. In 1972, 11 States exempted farm personal property: Delaware, Hawaii, Louisiana, Michigan, Minnesota, New Hampshire, New Jersey, New York, North Dakota, Pennsylvania, and Vermont.

Many of the other 39 States exempt one or more of the four commonly taxed classes of farm personalty: livestock, farm machinery, motor vehicles, and household goods. In 1972, 4 exempted livestock, 4 exempted farm machinery, 18 exempted motor vehicles, and 24 exempted household goods. Some of the reasons for this diminution of the property tax base are (1) it is inequitable in that it is a tax that falls only on visible wealth such as capital goods and not on stocks, bonds, and cash deposits, and (2) it is a difficult tax to administer efficiently.

States with the largest farm personal property tax bills tend to lie in the Midwest and West. Some reasons for this are that these States have a significant agricultural sector and have traditionally relied heavily on the property tax for local government revenues.

Personal property taxes during 1967-72 increased more rapidly on livestock and farm machinery than on motor vehicles and household goods. Taxes on livestock and farm machinery classes increased, respectively, 3.0 and 2.6 percent annually, while those on motor vehicles decreased 0.8 percent each year. Taxes on household goods decreased 11.1 percent annually. Rates of increase for all four classes averaged higher for those States not increasing exemptions.

Property taxes are a production expense for farmers. Since 1950, taxes on farm realty and personalty (movable personal property) have been increasing as a percentage of gross farm income, farm production expenses, and net farm income. In particular, they doubled their proportion of net farm income, increasing from 6.7 percent in 1950 to 13.6 percent in 1972.

TAXES LEVIED ON FARM PERSONAL PROPERTY, 1960-72

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Introduction

Property taxes are of concern to U.S. farmers because they affect farmers' incomes and property values, and because they are used to finance community services. Property taxes tend to fall heavily on land and physical capital, two factors that agriculture uses intensively. Thus, property taxes may affect the profitability of farming in a given area.

Statistics about property taxes are used in evaluating the income position of farmers and various forms of farm enterprises. This report provides data on the amount and classes of personalty taxes (taxes on movable personal property) in various States; this information is needed to answer questions of State and local tax policy, such as issues of equity, effects on property values, and methods of financing a desired level of public services.

Taxes on personal property owned by farmers in the United States have been estimated by the Department of Agriculture for every year since 1924. The series was first published in May 1941 in *Agricultural Finance Review*. It showed total personal property taxes levied from 1924 through 1939. These estimated taxes have been published annually since 1941 in *Agricultural Statistics (11)*.¹

National estimates of farm personal property taxes are derived from State publications on tax revenues, tax rates, and classes and amounts of personalty assessed. When such publications are not available, the information is gathered from State tax officials. The general procedure is to allocate a proportion of assessed personalty to farmers, multiply farm assessments by the appropriate tax rates, and add the totals for each State. National totals are the sum of the results from each State. Approximately every 10 years, in conjunction

with every other Census of Agriculture, the U.S. Bureau of the Census collects survey data on personal property taxes paid by farmers. This data is used to benchmark and revise the estimates based on State data. The first such benchmark was done in 1956. The most recent was for 1970 (16), and the adjustments to previously published data for 1961-67 are reflected herein. For more information on the benchmarking and other procedures used in deriving the data, see (14).

This report describes the nature of the tax and its importance for local government revenues. It then discusses the important trends in the national and State data from 1960 through 1972.

Nature of the Tax

In its broadest meaning the general property tax is a tax upon all gross wealth.² tangible and intangible, that possesses exchange value. It is levied according to exchange value, at least in theory (4). The two broad classes of property are real (land and buildings) and personal (property that can be moved). Personal property can be either tangible or intangible. Tangible property includes cars and trucks, furniture, household goods, jewelry, livestock, and movable machinery. Intangible property is such items as bank deposits, book credit, money, mortgages, and stocks. This report deals primarily with the taxes on four classifications of tangible personal property, listed in descending order of importance: livestock, farm machinery, motor vehicles, and household goods.

For many years, the general property tax was a major source of revenue for both State and local governments. Now, the importance of the property tax in State and local government revenues is declining—from 53.2 per-

¹ Italicized numbers in parenthesis refer to references listed at end of report.

² A tax on gross value does not take account of debts, mortgages, or any other kind of lien secured by a piece of property.

HIGHLIGHTS

National totals for farm tangible personal property taxes increased from \$286.1 million in 1960 to \$424.9 million in 1972. This was an increase of 48.5 percent or

cent of total State and local government taxes in 1942, to 39.9 percent in 1971—but it still generates a large amount of tax revenue. This is particularly true for local governments, where property taxes comprised 83.7 percent of all tax revenues in 1971-72 (17). Furthermore, the property tax is more important for local governments outside of Standard Metropolitan Statistical Areas (SMSA's)³ than for those within SMSA's; it provided 90.2 percent of tax revenues to the former and 82.1 percent to the latter in 1971 (17). Looking at the composition of the property tax base, personal property made up 13.8 percent of the taxable value of all locally assessed property in the United States in 1971, a figure which rose to 17.9 percent for non-SMSA local governments (18). Property taxes are a consideration to farmers both because they finance some of their local community services and because these tax obligations must be met out of current farm income. The tradeoff between the bundle of public services provided by the local government and the size of the tax burden of farmers could mean the difference between an environment favorable to a profitable agricultural operation and one that in the long run is not so favorable. For example, if a community demands a quantity and quality of public goods and services typically associated with a concentrated urban population, and if the corresponding property tax burden is heavy, these circumstances can affect the profitability of the farm operation.

Farm Personal Property Taxes Still Rising

National and State estimates of farm personal property taxes for 1961-67 were benchmarked for 1970 in accordance with information provided in the 1970 Survey of Farm Finance (16). This revision caused the national estimates for 1961, 1962, and 1966 to be revised downward and those for 1963, 1964, 1965, and 1967 to be revised upward. New estimates were derived for the years 1968 to 1972.

National totals for taxes on farm personalty increased from \$286.1 million in 1960 to \$424.9 million in 1972 (table 1). This was an increase of 48.5 percent during the period or about 4.0 percent per year, which is less than

Table 1—Taxes on farm personal property, 1924-72

Year	Taxes	Year	Taxes
	<i>1,000 dollars</i>		<i>1,000 dollars</i>
1924	71,995		
1925	71,663	1950	176,875
1926	72,965	1951	208,765
1927	74,831	1952	228,550
1928	79,609	1953	221,367
1929	83,874	1954	215,972
1930	81,311	1955	222,957
1931	62,546	1956	219,380
1932	48,935	1957	228,189
1933	39,324	1958	247,913
1934	40,204	1959	274,032
1935	42,047	1960 ¹	286,101
1936	45,626	1961	297,537
1937	47,132	1962	304,129
1938	48,167	1963	320,165
1939	49,129	1964	331,308
1940	50,200	1965	338,723
1941	56,117	1966	367,395
1942	66,629	1967	385,527
1943	76,795	1968	402,805
1944	80,393	1969	388,335
1945	91,539	1970	402,841
1946	98,512	1971	409,265
1947	127,727	1972	424,946
1948	150,139		
1949	166,479		

¹ After 1960, includes Alaska and Hawaii.

Sources: Compiled from State tax and revenue publications and (7), (8).

during the decade of the fifties when the increase averaged about 6.2 percent per year. This 4-percent, long-term increase was also less than the rate achieved by farm *real* property taxes (9) (10), which averaged a 7.7-percent increase during 1960-72. The reason for the smaller rate of increase is probably the increase in number of States exempting farm personal property from taxation entirely (table 2), or exempting certain classes of personal property (table 4).

The 4-percent average rate of increase varied through the 12-year period. The largest change, an 8.5-percent increase, occurred between 1965 and 1966, years in which the number of States exempting farm personal property remained constant. The rate of increase was higher during 1960-66 than 1967-72.

The rate of increase for the 1960-72 period varied from State to State (table 2). Arkansas exhibited the highest rate of increase at 153.2 percent, closely followed by California at 150.0 percent. Other States

³ Except in the New England States, a Standard Metropolitan Statistical Area (SMSA) is defined as a county or group of contiguous counties which contains at least one "central city" of 50,000 inhabitants or more, or "twin cities" with a combined population of at least 50,000. Contiguous counties are included in an SMSA if, according to certain criteria, they are socially and economically integrated with the central city. In the New England States, an SMSA is a group of towns and cities instead of counties (17).

Table 2—Farm personal property taxes, by State and Region, 1960-72¹

State and Region	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972
	<i>1,000 dollars</i>												
Maine	1,053	1,082	1,109	1,123	1,131	1,188	1,238	1,400	1,549	1,696	1,831	1,999	2,114
New Hampshire	315	304	290	275	158	152	159	163	166	e	e	e	e
Vermont	1,719	1,586	1,493	1,319	1,144	1,152	971	871	781	602	470	e	e
Massachusetts	1,332	1,486	1,503	1,536	1,424	1,372	1,311	1,291	1,404	1,597	1,585	1,624	1,603
Rhode Island	68	68	68	77	79	79	83	80	76	73	79	80	80
Connecticut	685	659	650	720	720	727	730	763	846	871	900	940	938
Total Region I	5,172	5,185	5,114	5,050	4,656	4,670	4,492	4,568	4,823	4,839	4,865	4,643	4,734
New York	e	e	e	e	e	e	e	e	e	e	e	e	e
New Jersey	1,096	984	918	1,054	993	438	394	365	e	e	e	e	e
Total Region II	1,096	984	918	1,054	993	438	394	365	e	e	e	e	e
Pennsylvania	e	e	e	e	e	e	e	e	e	e	e	e	e
Delaware	e	e	e	e	e	e	e	e	e	e	e	e	e
Maryland	1,798	1,751	1,779	1,807	1,835	1,909	1,723	1,575	1,577	1,242	1,079	589	541
Virginia	3,988	4,030	4,283	4,573	5,021	5,531	4,441	4,420	5,014	5,518	6,035	6,930	8,005
West Virginia	860	859	844	827	850	842	873	826	847	894	915	1,048	1,141
Total Region III	6,646	6,641	6,907	7,208	7,705	8,282	7,037	6,821	7,438	7,654	8,029	8,567	9,687
North Carolina	4,366	4,720	4,627	4,799	4,802	4,874	4,995	5,422	5,764	6,257	6,158	6,461	6,729
South Carolina	1,507	1,530	1,572	1,610	1,769	1,823	1,791	1,782	1,662	1,657	1,677	1,734	1,809
Georgia	3,241	3,267	3,377	3,353	3,504	3,623	3,421	3,459	3,073	3,068	3,501	3,335	2,961
Florida	3,467	3,624	3,862	4,133	4,258	4,836	4,921	5,464	5,170	5,148	5,557	6,297	6,128
Kentucky	1,724	1,898	1,803	1,878	1,885	1,871	1,245	1,389	1,505	1,563	1,662	1,739	1,833
Tennessee	2,452	2,574	2,726	2,816	2,907	3,046	3,035	3,232	3,181	2,354	2,022	2,153	2,627
Alabama	1,171	1,213	1,285	1,288	1,309	1,293	1,333	1,415	1,340	1,380	1,320	1,322	1,373
Mississippi	2,181	1,987	1,954	2,032	2,141	2,103	2,268	2,224	2,229	2,079	2,097	2,323	2,593
Total Region IV	20,110	20,812	21,207	21,909	22,575	23,469	23,009	24,387	23,925	23,507	23,994	25,364	26,053
Ohio	11,147	12,132	12,531	13,208	13,690	14,403	15,948	19,083	19,501	16,647	14,405	9,037	4,518
Indiana	21,291	21,321	18,084	18,482	20,311	22,958	24,116	28,945	32,962	32,227	29,429	28,379	30,193
Illinois	20,848	21,340	23,513	23,553	23,147	22,937	25,896	27,156	30,957	32,351	29,354	24,121	27,447
Michigan	4,867	4,887	5,113	5,315	5,646	6,068	8,513	10,250	12,941	e	e	e	e
Wisconsin	14,509	15,004	15,641	15,374	15,906	16,262	18,000	21,064	23,471	25,649	29,658	32,456	31,763
Minnesota	12,107	15,627	15,761	15,976	17,503	17,365	19,096	e	e	e	e	e	e
Total Region V	84,769	90,311	90,642	91,907	96,203	99,993	111,570	106,497	119,831	106,874	102,846	93,993	93,921
Arkansas	3,741	3,976	4,302	4,679	5,013	5,533	6,117	6,739	7,146	7,767	8,291	8,775	9,474
Louisiana	e	e	e	e	e	e	e	e	e	e	e	e	e
Oklahoma	6,834	7,043	7,329	7,622	7,767	8,674	9,580	10,487	11,393	12,300	12,223	12,596	13,380
Texas	16,813	16,794	16,794	17,815	18,081	18,416	18,327	19,974	21,320	22,640	25,383	27,041	31,272
New Mexico	873	936	979	1,009	972	924	827	834	885	766	1,082	1,186	1,147
Total Region VI	28,261	28,749	29,403	31,125	31,833	33,547	34,852	38,033	40,744	43,472	46,979	49,599	55,272
Iowa	21,671	22,629	23,520	25,404	26,050	23,903	28,093	30,264	28,831	30,773	27,070	26,580	26,581
Missouri	11,232	11,453	12,126	12,447	12,729	13,910	14,580	15,740	16,326	17,274	18,430	18,610	18,919

Continued

Table 2—Farm personal property taxes, by State and Region, 1960-72¹—Continued

State and Region	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972
	<i>1,000 dollars</i>												
Nebraska	17,894	17,551	18,933	21,104	22,015	22,731	26,443	29,097	24,695	23,361	26,747	30,446	31,463
Kansas	13,188	13,368	14,228	15,078	15,765	16,205	16,059	19,782	20,716	21,690	23,357	23,879	24,082
Total Region VII	63,984	65,001	68,807	74,033	76,559	76,749	85,174	94,882	90,568	93,097	95,604	99,515	101,045
Montana	8,186	8,140	8,053	9,183	9,025	9,279	9,567	11,947	12,406	13,542	15,983	17,326	18,723
North Dakota	9,037	9,170	9,469	9,653	10,740	9,625	10,682	10,885	11,175	e	e	e	c
South Dakota	10,948	12,274	11,989	13,414	13,786	13,826	16,140	16,560	17,153	18,350	20,452	20,207	22,365
Wyoming	2,466	2,324	2,373	2,575	2,735	2,617	2,783	3,216	3,484	3,683	3,851	4,049	4,445
Colorado	6,080	6,170	6,577	7,620	7,022	6,726	7,669	8,343	8,821	8,880	9,525	11,370	11,876
Utah	1,670	1,772	1,724	1,922	1,982	2,036	2,012	1,984	2,157	2,298	2,413	2,519	2,377
Total Region VIII	38,388	39,850	40,186	44,368	45,290	44,109	48,854	52,935	55,196	46,755	52,224	55,470	59,786
Nevada	718	750	773	731	761	741	859	790	841	873	1,035	1,137	1,652
Arizona	2,573	2,795	2,898	3,102	3,040	3,515	3,411	3,793	2,108	2,118	2,486	2,309	2,166
California	21,739	22,899	24,342	26,110	27,304	29,702	33,499	36,805	40,679	43,609	48,425	52,078	54,338
Hawaii	e	e	e	e	e	e	e	e	e	e	e	e	c
Total Region IX	25,030	26,445	28,012	29,943	31,105	33,958	37,769	41,388	43,628	46,600	51,946	55,524	58,156
Idaho	4,490	5,293	4,448	4,710	4,903	4,469	4,173	4,460	3,946	2,976	2,533	2,261	2,408
Oregon	3,971	4,020	4,314	4,399	4,691	4,313	4,830	5,290	5,916	6,131	7,071	7,054	7,331
Washington	4,161	4,222	4,145	4,435	4,767	4,698	5,210	5,869	6,761	6,397	6,717	7,243	6,527
Alaska	24	25	26	27	28	29	29	30	31	32	33	33	26
Total Region X	12,646	13,560	12,933	13,570	14,388	13,508	14,243	15,650	16,654	15,537	16,353	16,591	16,292
United States	286,101	297,537	304,129	320,165	331,308	338,723	367,395	385,527	402,805	388,335	402,841	409,265	424,946

Note: e=exempt or almost completely exempt.

¹ Totals may not add due to rounding.

Sources: Compiled from State tax and revenue publications and (3).

where the property tax increased at rates over 100 percent were Maine, 100.8 percent; Montana, 130.7 percent; Nevada, 130.1 percent; South Dakota, 104.3 percent; Virginia, 100.7 percent; and Wisconsin, 118.9 percent.

The region⁴ exhibiting the highest rate of increase (table 2) was Region IX at 132.3 percent in 1960-72. Arizona, California, Hawaii, and Nevada are in this region. Most of the increase can be attributed to California, where farm property taxes increased 150.0 percent, and Nevada, where the increase was 130.1 percent. Hawaii had exempted farm personal property taxes before 1960.

⁴The 10 standard Federal Regions were established by the Office of Management and Budget (OMB) to streamline Federal field office operations and encourage Federal-State-local interchange.

Farm Personal Property Taxes Exhibiting Cyclical Fluctuations as Proportion of Farm Property Tax Burden

In general, there have not been pronounced changes from year to year in farm personalty taxes as a proportion of total farm property taxes. But some strong cyclical patterns are apparent over the long run (table 3). The percentage has varied from a low of 9.0 percent in 1933 to a high of 22.0 percent in 1952, or 13 percentage points.

The percentage of property tax represented by the personal property tax remained almost constant during 1924-30, then declined during the early thirties. Beginning in the mid-thirties, it began a steady climb, reaching a peak in 1952 and leveling off for the rest of the decade. A slight decline began in 1960-67, which became more pronounced during 1968-72. By 1972, taxes on

Table 3—Taxes on farm personal property as a percentage of total farm property taxes, 1924-72

Year	Total farm property tax	Farm personalty taxes as percentage of total farm property taxes	Year	Total farm property tax	Farm personalty taxes as percentage of total farm property taxes
	<i>Million dollars</i>	<i>Percent</i>		<i>Million dollars</i>	<i>Percent</i>
1924	583.4	12.3			
1925	588.5	12.2	1950	919.3	19.2
1926	598.6	12.2	1951	985.5	21.2
1927	619.5	12.1	1952	1,039.0	22.0
1928	635.2	12.5	1953	1,068.3	20.7
1929	651.4	12.9	1954	1,094.4	19.7
1930	648.1	12.5	1955	1,154.2	19.3
1931	588.6	10.6	1956	1,193.6	18.4
1932	510.1	9.6	1957	1,260.3	18.1
1933	437.7	9.0	1958	1,328.6	18.7
1934	424.0	9.5	1959	1,428.7	19.2
1935	434.3	9.7	1960	1,529.2	18.7
1936	440.0	10.4	1961	1,608.5	18.5
1937	451.9	10.4	1962	1,676.3	18.1
1938	448.6	10.7	1963	1,737.4	18.4
1939	455.9	10.8	1964	1,798.0	18.4
1940	451.3	11.1	1965	1,874.4	18.1
1941	462.8	12.1	1966	2,001.2	18.4
1942	466.1	14.3	1967	2,116.0	18.2
1943	477.0	16.1	1968	2,284.6	17.6
1944	499.3	16.1	1969	2,427.1	16.0
1945	556.3	16.4	1970	2,571.9	15.7
1946	617.2	16.0	1971	2,703.4	15.1
1947	733.1	17.4	1972	2,815.4	15.1
1948	806.1	18.6			
1949	872.7	19.1			

Sources: Table 1 and (9), (10).

farm personalty amounted to 15.1 percent of the total farm property tax burden. There are a number of possible explanations for this last downward trend, but the most likely is that the increasing number of exemptions is contracting the personal property tax base faster than any comparable circumstances are affecting the real property tax base. For example, between 1968 and 1969, the number of States exempting personal property rose from 7 to 10, causing the farm personal property tax total to fall 3.6 percent and the share of personalty in the total farm property tax bill to fall 1.6 percent, from 17.6 to 16.0 percent. There are other factors which may have contributed to variations in rates of growth of both farm real and farm personal property taxes relative to each other. The most important of these are differences in rate of increase between market values of personal and real property and changes in tax rates or assessment ratios in States having classified property tax systems.⁵

More States Exempting Farm Personal Property

An analysis of farm personal property taxes by States (tables 2 and 4) shows some interesting patterns. Side by side with the rise shown for the national totals and for many States is a rise in the number of States exempting all farm personalty from taxation. The number of such States rose from 5 in 1960 (Delaware, Hawaii, Louisiana, New York, and Pennsylvania) to 11 in 1972 (adding Michigan, Minnesota, New Hampshire, New Jersey, North Dakota, and Vermont). Of these 11, 4 (Delaware, Hawaii, New York, and Pennsylvania) exempt all personal property, nonfarm as well as farm, from local general property taxation (18).

Thus, the number of States taxing farm personal property declined from 45 in 1960, to 44 in 1967, to 39 in 1972. Some of these remaining States exempted certain classes of personal property (table 4). Looking only at the period 1967-72, the distribution of exemptions changed during this time as follows:

	1967	1972
Number of States exempting:		
All farm personal property	6	11
Livestock	3	4
Farm machinery	7	4
Motor vehicles	22	18
Household goods	18	24

Sources: Tables 2 and 4.

Several factors figure in the change in distribution of exemptions. First, many States changed from laws permitting special exemptions for a class to laws providing for more general exemptions for farm personal property. This explains the decline in special exemptions for farm machinery, and paritally explains changes in the other classes. Upon the removal of motor vehicles from general property taxation, they are typically still subject to some different tax or fee, but are no longer counted in this series. Some State laws provide that household goods may be taxed only if used to produce income, such as office furniture; this particular partial exemption is counted as a complete exemption in table 4.

The increase in exemptions is usually explained by both equity and efficiency arguments. First, consider some of the equity issues. The property tax is supposed to be a tax on gross wealth or all property. From earliest times, intangible personal property has been particularly difficult for assessors to value and the tax on it unusually easy for taxpayers to evade. Consequently, intangible personal property was frequently excluded from the tax base either by law or by practice. If intangible personal property was not taxed, then those people whose wealth was in stocks and bonds paid less taxes in proportion to the value of their holdings than those whose wealth was in land and buildings, equipment, inventories, and other tangible goods. This violates the principle of equity where equals are taxed equally, and amounts to a significant break in the universal coverage of the property tax. Another criticism may be made of the property tax on equity grounds: the incidence of the tax rests on businesses with inventories (in States where inventories are taxed) and not on professionals or service businesses (2).

A second reason for increased exemptions is that the personal property tax presents a number of problems in administrative efficiency. This tax is notoriously difficult and expensive to administer. A 1965 survey of tax assessors cited problems such as the lack of clear-cut definitions, guidelines, or benchmarks in valuing personal property. The different accounting methods used by different businesses, for example, value property differently. Inflation complicates equalization procedures for equipment and inventories (2). These problems are of two types: the inadequacy of valuation concepts and procedures and the enormous bookkeeping task of accounting for ownership and assessed value (6). These problems have caused an increasing number of States to opt for substantially general exemptions or abolition of the personal property tax. This is not to deny that the personal property tax is an important source of revenue in many States and that assessors and tax officials in these States find it difficult to find good alternative sources of revenue. They perceive adminis-

⁵ A classified property tax system is one in which various classes of property are assessed at different established percentages of market value (5).

**Table 4—Taxes levied on major classes of farm personal property,
by State, 1967 and 1972**

State and Region	Livestock		Farm machinery		Motor vehicles		Household goods		Personal property tax	
	1967	1972	1967	1972	1967	1972	1967	1972	1967	1972
	<i>1,000 dollars</i>									
Maine	u	u	u	u	e	e	e	e	1,400	2,114
New Hampshire	163	e	e	e	c	e	e	e	163	e
Vermont	u	e	e	e	e	e	u	e	871	e
Massachusetts	u	u	u	u	e	e	u	e	1,291	1,603
Rhode Island	e	e	e	e	80	80	e	e	80	80
Connecticut	99	140	182	257	482	542	e	e	763	938
Total Region I	---	---	---	---	---	---	---	---	4,568	4,734
New York	e	e	e	e	e	e	e	e	e	e
New Jersey	67	e	298	e	e	e	e	e	365	e
Total Region II	---	---	---	---	---	---	---	---	365	---
Pennsylvania	e	e	e	e	e	e	e	e	e	e
Delaware	e	e	e	e	e	e	e	e	e	e
Maryland ¹	u	u	u	u	u	e	e	e	1,575	541
Virginia ¹	u	u	u	u	u	u	u	u	4,420	8,005
West Virginia	157	208	91	120	428	615	151	198	826	1,141
Total Region III	---	---	---	---	---	---	---	---	6,821	9,687
North Carolina	u	u	u	u	u	u	u	u	5,422	6,729
South Carolina	282	261	535	631	965	917	e	e	1,782	1,809
Georgia	u	u	u	u	1,714	1,728	u	e	3,459	2,961
Florida	u	u	u	u	e	e	e	e	5,464	6,128
Kentucky	² 117	² 107	e	e	1,272	1,726	e	e	1,389	1,833
Tennessee	u	u	u	u	u	u	u	u	3,232	2,627
Alabama	e	e	u	u	938	840	u	u	1,415	1,373
Mississippi	e	e	e	e	2,224	2,593	e	e	2,224	2,593
Total Region IV	---	---	---	---	---	---	---	---	24,387	26,053
Ohio	u	u	u	u	e	e	u	e	19,083	4,518
Indiana	u	u	u	u	u	u	u	e	28,945	30,193
Illinois	8,551	8,741	³ 12,638	³ 16,867	4,010	1,839	1,958	e	27,156	27,447
Michigan	u	e	e	e	e	e	u	e	10,250	e
Wisconsin	21,064	31,763	e	e	e	e	e	e	21,064	31,763
Minnesota	e	e	e	e	e	e	e	e	e	e
Total Region V	---	---	---	---	---	---	---	---	106,497	93,921
Arkansas	u	u	u	u	u	u	u	u	6,739	9,474
Louisiana	e	e	e	e	e	e	e	e	e	e
Oklahoma	u	6,696	u	⁴ 4,824	e	e	u	1,860	10,487	13,380
Texas	9,927	u	8,189	u	1,858	u	u	u	19,974	31,272
New Mexico	802	1,124	32	22	e	e	u	u	834	1,147
Total Region VI	---	---	---	---	---	---	---	---	38,033	55,272
Iowa	14,248	8,578	16,016	18,003	e	e	e	e	30,264	26,581
Missouri	6,721	8,480	3,189	4,245	4,995	5,166	834	1,027	15,740	18,919
Nebraska	15,510	17,712	8,489	9,967	4,176	3,784	922	e	29,097	31,463
Kansas	u	u	u	u	u	u	e	e	19,782	24,082
Total Region VII	---	---	---	---	---	---	---	---	94,882	101,045
Montana	6,973	11,645	⁵ 3,229	⁵ 4,777	1,507	2,000	237	301	11,947	18,723
North Dakota	4,359	e	5,711	e	e	e	815	e	10,885	e
South Dakota	10,036	13,260	5,603	8,030	e	e	921	1,076	16,560	22,365
Wyoming	2,543	3,572	569	730	e	e	104	144	3,216	4,445
Colorado	5,299	7,939	3,045	3,937	e	e	e	e	8,343	11,876
Utah	981	1,118	419	649	584	610	e	e	1,984	2,377
Total Region VIII	---	---	---	---	---	---	---	---	52,935	59,786

Continued

**Table 4—Taxes levied on major classes of farm personal property,
by State, 1967 and 1972—Continued**

State and Region	Livestock		Farm machinery		Motor vehicles		Household goods		Personal property tax	
	1967	1972	1967	1972	1967	1972	1967	1972	1967	1972
	<i>1,000 dollars</i>									
Nevada	456	954	⁶ 334	⁶ 698	e	c	u	u	790	1,652
Arizona	1,243	1,385	2,350	781	e	e	201	e	3,793	2,166
California	u	u	u	u	e	c	u	e	36,805	54,338
Hawaii	e	e	e	e	e	e	e	e	e	e
Total Region IX	---	---	---	---	---	---	---	---	41,388	58,156
Idaho	2,651	e	1,809	2,408	e	e	e	e	4,460	2,408
Oregon	2,826	3,689	2,464	3,642	e	e	e	e	5,290	7,331
Washington	2,593	2,988	3,277	3,539	e	e	e	c	5,869	6,527
Alaska ¹	u	u	u	u	u	u	u	u	30	26
Total Region X	---	---	---	---	---	---	---	---	15,757	16,292
United States	---	---	---	---	---	---	---	---	385,635	424,946
Number of States										
Exempting	9	15	13	15	28	29	24	35	6	11

Note: e=exempt or almost completely exempt. u=taxed but unallocable. --=not applicable.

¹ State allows local tax jurisdictions the option of which classes are taxed. ² Includes \$114,261 in 1967 and \$104,803 in 1972 for taxes levied on tobacco in storage, other farm products, and farm products on hand. ³ Includes \$3,658,140 in 1967 and

\$2,575,961 in 1972 for taxes levied on crops. ⁴ Includes \$21,977 in taxes levied on agricultural products. ⁵ Includes \$367,393 in 1967 and \$687,109 in 1972 for taxes levied on agricultural products. ⁶ Includes taxes levied on household property.

Sources: Compiled from State tax and revenue publications, and (19), (3).

trative difficulties as readily remedied by more training for assessors and more public relations work with taxpayers (2). Thus, the personal property tax continues to be levied in many States.

Farm Personal Property Tax Important in Midwest and West

States with the largest farm personal property tax bills tend to lie in the Midwest and Western Regions. In 1960, Region V, containing Illinois, Indiana, Michigan, Minnesota, Ohio, and Wisconsin, had the largest farm personal property tax bill, but by 1972 two States, Michigan and Minnesota, had exempted farm personal property from taxation (table 2). In 1972, Region VII, including Iowa, Kansas, Missouri, and Nebraska, had the largest bill. Both Regions V and VII lie in the Midwest.

The size of the farm personal property tax totals in these regions reflects two factors: the major role of agriculture in the State economies and the traditional importance of property tax revenues in local government finance in these States. Taxation of the potential property tax base tends to be more general in these regions than in regions in the East and Southeast.

Personal Property Taxes Increasing More Rapidly on Livestock and Farm Machinery Than on Motor Vehicles

Taxes on four major classes of personal property were analyzed for 1967 and 1972: livestock, farm machinery, motor vehicles, and household goods (table 4).⁶ In most States, insufficient information prevented disaggregating the taxes into the four different classes. However, assuming that the rate of increase is the same for States in which data are available and States where they are not, some conclusions can be drawn about relative rates of increase of property taxes by class.

⁶ In a major change from the past edition of this report (7), these data are now based on tax revenues from property classes rather than on assessed valuations of property classes. Since available data and estimating procedures vary so much between States, assessed valuations take on different meanings from State to State. In some States, gross assessed valuation is used, and in others, net assessed valuation, taxable value, or any of these valuations for such purposes as school districts, county, or all purposes. Thus, the assessed valuations are not comparable between States but tax revenues are.

The 23 States for which data on all four classes were available for both 1967 and 1972, including States that exempted some classes of property during the period, were used to calculate the percentage of the national total represented by each class in both years. These percentages were used as a basis for approximating the national rates of increase exhibited by each class during 1967-72. The following data, which are comparable to the national rate of change for 1967-72, result:

Property class	Total rate of change 1967-72	Annual rate of change 1967-72
<i>Percent</i>		
Livestock	+14.8	+3.0
Farm machinery ¹ . . .	+13.0	+2.6
Motor vehicles	-3.7	-0.7
Household goods	-55.5	-11.1

¹ Includes items footnoted under farm machinery in table 4.

The annual rates of increase for livestock (3.0 percent) and farm machinery (2.6 percent) are slightly greater than the 1967-72 rates of increase for all four classes of farm personalty of 2.0 percent per year. The large decline in taxes on household goods reflects the number of States exempting them during that time.

The following table selects data from table 4 to show the rates of increase for those States where no exemption activity occurred. It therefore represents a more "pure" rate of change, since it eliminates cases where State governments in effect reversed the rate of increase by exempting certain classes. Only those States with data available for both years were used. Unlike the previous table, no attempt was made to allocate the "unallocated" balances.

Property class	Number of States	Total rate of change 1967-72	Annual rate of change 1967-72
<i>Percent</i>			
Livestock	19	+23.0	+4.6
Farm machinery ¹ . .	18	+23.5	+4.7
Motor vehicles	13	-4.0	-0.8
Household goods . .	5	+22.2	+4.4

¹ Includes items footnoted under farm machinery in table 4.
Source: Table 4.

Part of the reason for the decrease in taxes on motor vehicles reflected by both tables is that the number of autos and trucks on farms declined 14.4 percent between 1964 and 1969 (11). Much of this, in turn, can be attributed to the decline in the number of farms by 13.5 percent (15) over the same time period. The 1967-72 increase in taxes on livestock, machinery, and household goods was about 4.5 percent per year. The figures above are not, of course, comparable with the 1967-72 annual rate of increase of farm personal property taxes of 2.0 percent per year, since any State exempting a particular class between 1967 and 1972 was excluded from the calculation of the rate of increase for that class.

Real and Personal Property Taxes Increasing Their Component of Farm Income

Real and personal farm property taxes, a revenue source to local governments, are a production expense for farmers. Table 5 relates revenues from both personal and real farm property taxes to gross and net farm income and farm production expenses, and illustrates the relationship between property taxes and farm income over time. As was noted earlier in this report, property taxes are declining as a source of income to local governments, but the property tax is not decreasing in its importance for farm income and farm production expenses. Rather, from 1950 to 1972, it increased its share of gross farm income significantly, by 43 percent. In the same period, property taxes increased their share of net farm income (before deduction of property taxes) by 103 percent. In contrast, the rate of increase of its share of farm production expenses was only 15 percent. The following table shows these relationships:

	1950	1972	Change
<i>Percent</i>			
Farm property taxes as percent of:			
Gross farm income .	2.8	4.0	+43
Farm production expenses	4.7	5.4	+15
Net farm income . .	6.7	13.6	+103

Source: Table 5.

For more information on farm real property taxes see (9) and (10).

Table 5—Farm real and personal property taxes as a percentage of gross farm income, farm production expenses, and net farm income, 1950-72

Year	Total real and personal property tax	Realized gross farm income ¹	Percent of total	Production expenses ²	Percent of total	Realized farm income ³	Percent of total
	<i>Mil. dol.</i>	<i>Mil. dol.</i>	<i>Percent</i>	<i>Mil. dol.</i>	<i>Percent</i>	<i>Mil. dol.</i>	<i>Percent</i>
1950	919.3	32,291	2.8	19,455	4.7	13,755	6.7
1951	985.5	37,098	2.7	22,348	4.4	15,733	6.3
1952	1,039.0	36,829	2.8	22,790	4.6	15,072	6.9
1953	1,068.3	35,070	3.0	21,467	5.0	14,663	7.3
1954	1,094.4	33,690	3.2	21,808	5.0	12,966	8.4
1955	1,154.2	33,261	3.5	22,171	5.2	12,231	9.4
1956	1,193.6	34,415	3.5	22,705	5.3	12,888	9.3
1957	1,260.3	34,170	3.7	23,703	5.3	11,709	10.8
1958	1,328.6	38,133	3.5	25,790	5.2	13,649	9.7
1959	1,428.7	37,876	3.8	27,212	5.3	12,093	11.8
1960	1,529.2	38,497	4.0	27,418	5.6	12,609	12.1
1961	1,608.5	40,210	4.0	28,582	5.6	13,241	12.1
1962	1,676.3	41,724	4.0	30,245	5.5	13,164	12.7
1963	1,737.4	42,741	4.1	31,518	5.5	12,973	13.4
1964	1,798.0	43,123	4.2	31,715	5.7	13,226	13.6
1965	1,874.4	45,513	4.1	33,522	5.6	13,912	13.5
1966	2,001.2	50,561	4.0	36,422	5.5	16,222	12.3
1967	2,116.0	49,878	4.2	38,277	5.5	13,854	15.3
1968	2,284.6	51,743	4.4	39,529	5.8	14,696	15.5
1969	2,427.1	56,337	4.3	42,180	5.8	16,869	14.4
1970	2,571.9	58,604	4.4	44,572	5.8	16,960	15.2
1971	2,703.4	60,625	4.5	47,603	5.7	16,093	16.8
1972	2,815.4	69,949	4.0	52,428	5.4	20,710	13.6

¹ Realized gross farm income is made up of cash receipts from farm marketings, government payments to farmers, nonmoney income including farm products consumed on farm and value of housing, and other farm income from recreation, machine hire, and custom work. Includes government payments to nonoperator landlords. ² Farm production expenses include current farm operating expenses, cash and in-kind wages paid to hired labor, outlays for repair of equipment and operation of the

farm, purchases of feed, seed and livestock, overhead costs such as depreciation, other capital consumption, taxes on farm property, and interest on farm mortgage debt. ³ Realized net farm income of farm operators before deduction of farm property taxes. Includes net rent paid to nonoperator landlords.

Sources: Table 4 and (12), (13).

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